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OPINION | COMMENTARY

## The Clinton Plan's Growth Deficit

Hillary's agenda is long on economic platitudes. How is more money for roads—\$50 billion a year—going to kick-start growth?

By **JOHN H. COCHRANE**

Aug. 11, 2016 7:22 p.m. ET

Hillary Clinton's big speech on Thursday laying out her economic proposals included much of what you'd expect—calls for higher taxes on "Wall Street, corporations, and the superrich." The centerpiece was her call for "the biggest investment in new, good-paying jobs since World War II." Reading the speech, and detail on the campaign website, I'm not encouraged.

America's foremost economic problem is sclerotic growth. If the economy continues to expand at only 1% to 2% a year, instead of the historical 3% to 4%, then current economic and political problems will become crises. Almost everything depends on growth: progress for the middle class, hope for the unfortunate, solvency for social programs, environmental protection, defense.

This is not a contentious or partisan statement. Larry Summers, Democratic economic adviser extraordinaire, wrote recently in the Washington Post that growth is "the single most important determinant of almost every aspect of economic performance," and that trying to boost it "has been discredited in the minds of too many progressives."

So, how does Mrs. Clinton diagnose and suggest to cure the country's stagnation? Her central pro-growth proposal is "infrastructure" spending, \$275 billion over five years, financed in part by some sharply higher taxes.

Sure, America's roads and bridges could use patching. But how does this fix the growth problem? Nobody thinks that stagnant growth is centrally the fault of bad roads and bridges. No, the economic argument behind Mrs. Clinton's proposal is simply the endless

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drumbeat of fiscal stimulus: Spend taxed or borrowed money on anything, and the “multiplier” will increase “demand.”

We’ve been at this since 2008. But the caution that stimulus should be “timely, targeted, and temporary” has now been forgotten. Japan’s massive “infrastructure” spending and weak growth to show for it are forgotten. And if U.S. growth hasn’t been kick-started by the trillions of stimulus so far—the government has accumulated \$8 trillion of debt since the recession began—how will another \$50 billion a year help?

Further, why are roads and bridges still a problem? President Obama has been after “infrastructure” stimulus since 2009. If you ask that question, and listen to answers, they are pretty clear. It’s nearly impossible to build infrastructure these days. Endless regulatory reviews and legal challenges bog down builders. The Davis-Bacon Act, which mandates prevailing wages, and other contracting restrictions balloon costs. Politicians and agencies pick terrible projects—high-speed trains to nowhere. Even those can’t get built. President Obama discovered how few projects are “shovel-ready.” Opposition to throwing money down a rathole is not pigheaded.

In return for more spending, Mrs. Clinton could have offered serious structural reforms: repeal of Davis-Bacon, time limits on environmental reviews, serious cost-benefit analysis, and so forth. Such a package would have been irresistible.

Instead her plan simply asserts that Mrs. Clinton will “break through Washington gridlock” and “cut red tape”—promises made and forgotten by every presidential candidate in living memory. If the Sierra Club sues to block her worthy commitment to “upgrade our dams and levees,” will she really short-circuit the legal process, and how?

The rest of Mrs. Clinton’s economic agenda is a thousand-course smorgasbord of government expansions, with the same deficiencies. A random sample: Higher taxes on capital gains and corporations. New taxes on financial transactions. A corporate exit tax. Paid leave. Free college. A higher minimum wage. More federal training programs. Tax credits for apprenticeships and profit-sharing programs. A “new markets” credit. Rural business investment cooperatives. The Paycheck Fairness Act. “Make it in America Partnerships.” And on and on.

Moreover, much of it is merely aspiration, without (yet) concrete

action: “Restore collective bargaining rights.” “Strengthen overtime rules.” “Make quality affordable childcare a reality.” “Ensure that the jobs of the future in caregiving and services are good-paying jobs.” “Break down barriers to make affordable housing and homeownership possible for hard working families.” And on and on and on.

The “plan” offers neither a strategy for enactment, nor thought about why these are problems in the first place. Yes, it’s hard to find quality affordable childcare. Why? Could licensing, zoning, teachers unions, minimum wages, ObamaCare mandates, employee time rules, taxes, immigration restrictions and the like have something to do with it? Apparently, every problem in America occurs because the president did not “fight” hard enough for new programs and against the dark forces that oppose progress. Like a hyperactive overachiever approaching a mock-U.N. debate, Mrs. Clinton seems to trust that the opposition will wilt from the sheer volume, detail and righteousness of her proposals.

Her speech Thursday at least identifies the problem: “Powerful special interests and the tendency to put ideology ahead of political progress have led to gridlock in Congress.” To counter this, she offers “hard but respectful bargaining,” and “leadership that rises above personal attacks.”

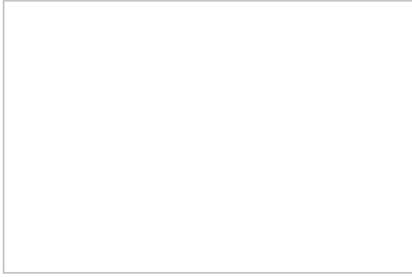
For a candidate with such vaunted political experience, that plan seems surprisingly naive. It invites obvious jokes: Yes, you and your party also know something about “special interests,” “ideology,” “gridlock” and “personal attacks,” don’t you—as in the rest of this speech. Why should voters expect that to change?

If Mrs. Clinton is elected president, this plan will lead to a chaotic first year. Her administration will unleash a flurry of proposals. Congress will block most. Executive orders and administrative rules will follow, many of which will end up in court. Economic growth will continue to sputter.

Mrs. Clinton: Please don’t do it. Find a few simple governing principles. Listen to your opponents. Fix the *structure* of government. Ask why things are broken, despite good people’s best efforts. Spend a little time cleaning up old programs too.

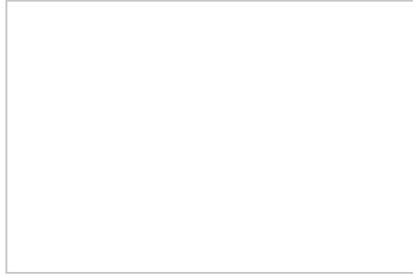
This mild criticism does not imply an endorsement of Mr. Trump’s economic musings. The coherent alternative vision lies in Paul Ryan’s agenda, “A Better Way,” and the plans of the Libertarian candidate, Gary Johnson. After a likely landslide loss for Mr. Trump, and Trumpism, their ideas will define the opposition. Through better policy and better governance under the rule of law, those ideas do promise a surge in prosperity for all Americans.

*Mr. Cochrane is a senior fellow of the Hoover Institution.*



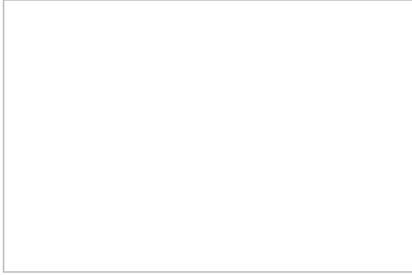
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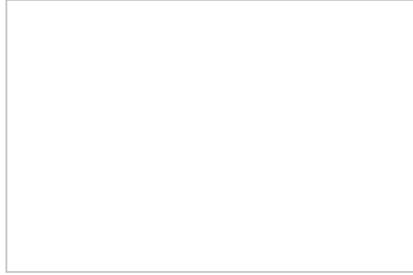
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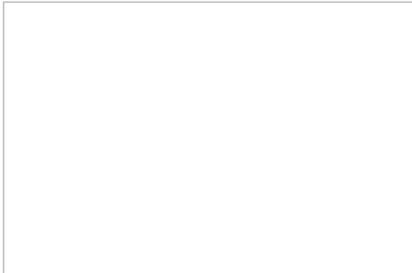
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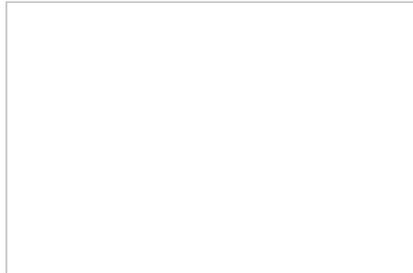
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